
ATTACHMENT Z

2005 SIMPILS RATE ADJUSTMENT MODEL

SECTION 93 PILs TAX GROSS-UP

PROXY CALCULATION FOR 2005

PILS2005.V1.1

REGULATORY INFORMATION (REGINFO)

| | |
|----------------------------------|------------------------------------|
| Utility Name: | London Hydro Inc. |
| File Number: | RP-2005-0013 |
| | EB-2005-0046 |
| Reporting period: | January 1,2005 to December 31,2005 |
| Days in reporting period: | 365 |
| Total days in the calendar year: | 365 |

BACKGROUND

| | |
|--|---------|
| 1. Are the Capital Tax & Large Corporations Tax Exemptions shared among the corporate group? (Yes or No) | No |
| 2. Please identify the percentage used to allocate the exemption. | 100.00% |
| 3. Please explain the basis of the allocation if the percentage is other than 100%. | N/A |
| 4. Accounting Year End | 31-Dec |

**MARR NO TAX CALCULATIONS
FROM SHEET #7 FINAL 2001 RUD MODEL DATA
(FROM 1999 FINANCIAL STATEMENTS)**

| | |
|-----------------------------|------------------|
| Rate base (wires-only) | \$174,041,606.04 |
| Common Equity Ratio (CER) | 45.00% |
| 1-CER | 55.00% |
| Target Return On Equity (%) | 9.88% |
| Debt rate | 7.00% |

| | | | Regulatory Income |
|---|---|-----------------------------------|-------------------|
| Market Adjusted Revenue Requirement | \$14,438,492 | | |
| 1999 return from RUD Sheet #7 | \$5,928,118 | | \$5,928,118 |
| Total Incremental revenue | \$8,510,374 | | |
| | <i>Based on Board's Decision (RP-2000-0069)</i> | <i>Board-Approved Amounts</i> | |
| Amount allowed in 2001, Year 1 | \$2,836,791 | \$2,836,791 | \$2,836,791 |
| Amount allowed in 2002, Year 2 | \$2,836,791 | \$2,836,791 | \$2,836,791 |
| Amount allowed in 2003, Year 3 | \$2,836,791 | \$2,836,791 | \$2,836,791 |
| Permanent Changes to Base Rate (e.g. LPP 5% to 1.5%) | | | \$0 |
| C&DM Capital Portion from "C&DM TAX FORECAST" worksheet | 13% | | |
| Total Regulatory Income | | | \$14,438,491 |

| | |
|--------------------------------|--------------|
| Equity | \$78,318,723 |
| Return at target ROE | \$7,737,890 |
| Debt | \$95,722,883 |
| Deemed interest amount in EBIT | \$6,700,602 |

| SECTION 93 PILs TAX GROSS-UP PROXY CALCULATION FOR 2005 TAX CALCULATIONS (TAXCALC) | | ITEM | Proxy Calculation | Comments |
|--|--|------|----------------------|----------|
| Utility Name: London Hydro Inc. Reporting Period: January 1,2005 to December 31,2005 Days in Reporting Period: 365 Total days in the calendar year: 365 | | | \$ | |
| I) CORPORATE INCOME TAXES | | | | |
| Regulatory Net Income | | 1 | \$14,438,491 | |
| BOOK TO TAX ADJUSTMENTS | | | | |
| Additions: | | | | |
| Depreciation & Amortization | | 2 | \$10,687,477 | |
| Employee Benefit Plans - Accrued, Not Paid | | 3 | \$0 | |
| Tax reserves deducted in prior year | | 4 | \$0 | |
| Reserves from financial statements-end of year | | 4 | \$0 | |
| Regulatory Adjustments | | 5 | \$0 | |
| Other Additions | | | | |
| "Material" Items | | 6 | \$0 | |
| Other Additions | | 6 | \$0 | |
| "Material" Items | | 6 | \$0 | |
| Other Additions | | 6 | \$0 | |
| Deductions: | | | | |
| Capital Cost Allowance and CEC | | 7 | \$7,980,951 | |
| Employee Benefit Plans - Paid Amounts | | 8 | \$0 | |
| Items Capitalized for Regulatory Purposes | | 9 | \$0 | |
| Regulatory Adjustments | | 10 | \$0 | |
| Interest Expense Deemed | | 11 | \$6,700,602 | |
| Tax reserves claimed in current year | | 4 | \$0 | |
| Reserves from F/S beginning of year | | 4 | \$0 | |
| Contributions to deferred income plans | | 3 | \$0 | |
| Contributions to pension plans | | 3 | \$0 | |
| Interest capitalized for accounting but deducted for tax | | 11 | \$0 | |
| Other Deductions | | | | |
| "Material" Items | | 12 | \$0 | |
| C&DM 2005 Incremental OM&A expenses per C&DM Plan | | 12 | \$1,660,750 | |
| Material Items | | 12 | \$0 | |
| Other Deductions | | 12 | \$0 | |
| REGULATORY TAXABLE INCOME | | | \$8,783,665 | |
| CORPORATE INCOME TAX RATE | | | | |
| Deemed % | | 13 | 36.12% | |
| REGULATORY INCOME TAX | | | | |
| Taxable Income x Rate | | | \$3,172,660 | |
| Miscellaneous Tax Credits | | 14 | \$0 | |
| Total Regulatory Income Tax | | | \$3,172,660 | |

| SECTION 93 PILs TAX GROSS-UP PROXY CALCULATION FOR 2005 TAX CALCULATIONS (TAXCALC) | | ITEM | Proxy Calculation | Comments |
|--|----|---------------|----------------------|----------|
| Utility Name: London Hydro Inc. Reporting Period: January 1,2005 to December 31,2005 Days in Reporting Period: 365 Total days in the calendar year: 365 | | | \$ | |
| Percentage used to determine the exemptions for capital tax and large corporations tax | | | 100% | |
| II) CAPITAL TAXES | | | | |
| <i>Ontario</i> | | | | |
| Rate Base | 15 | \$174,041,606 | | |
| Less: Exemption | 16 | \$7,500,000 | | |
| Deemed Taxable Capital | | \$166,541,606 | | |
| Rate (.3%) | 17 | 0.3000% | | |
| Net Amount (Taxable Capital x Rate) | | | \$499,625 | |
| <i>Federal (LCT)</i> | | | | |
| Base | 18 | \$174,041,606 | | |
| Less: Exemption | 19 | \$50,000,000 | | |
| Deemed Taxable Capital | | \$124,041,606 | | |
| Rate (.175%) | 20 | 0.1750% | | |
| Gross Amount (Taxable Capital x Rate) | | \$217,073 | | |
| Less: Federal Surtax | 21 | \$98,377 | | |
| Net LCT | | | \$118,696 | |
| III) INCLUSION IN RATES | | | | |
| Income Tax Rate used for gross- up | | 36.12% | | |
| Income Tax (grossed-up) | 22 | \$4,966,593 | | |
| LCT (grossed-up) | 23 | \$185,811 | | |
| Ontario Capital Tax | 24 | \$499,625 | | |
| Total S. 93 PILs Rate Adjustment <i>(Enter this amount in the 2005 RAM, Sheet #4, cell G14)</i> | | 25 | \$5,652,029 | |

SECTION 93 PILs TAX GROSS-UP "SIMPIL"

Corporate Tax Rates for 2005

| Income Range | \$0 to \$400,000 | \$400,001 to \$1,128,000 | > \$1,128,000 |
|---|---------------------------------|---|-------------------------|
| <i>Income Tax Rate</i> | 18.62% | 27.50% | 36.12% |
| Capital Tax Rate | 0.300% | | |
| LCT Rate | 0.175% | | |
| Surtax | 1.12% | | |
| Ontario Capital Tax Exemption | \$7,500,000 | | |
| Federal Large Corporations Tax Exemption | \$50,000,000 | | |

Conservation and Demand Management Tax Forecast

Utility Name: London Hydro Inc.
 File Number: RP-2005-0013
 EB-2005-0046

| | Jan - Dec 2005 | | Jan - Dec 2006 | | Jan - Sept 30 th 2007 | | Total | |
|-----------------------------------|--------------------|-------------|-------------------|-------------|-------------------------------------|-----------|--------------------|-----------|
| | \$ | % | \$ | % | \$ | % | \$ | % |
| Capital | \$240,000 | 13% | \$151,500 | 16% | | | | 0% |
| Tax Deductible Expense | \$1,660,750 | 87% | \$777,250 | 84% | \$0 | | | 0% |
| Total | \$1,900,750 | 100% | \$928,750 | 100% | \$0 | 0% | \$2,829,500 | 0% |

Notes:

1. Capital that will be recognized for tax purposes (i.e. UCC addition), not from a capital budget or commitment perspective.
2. Expenses to be recognized in the period shown that will be used as a tax deduction for the same period. The 2005 tax deductible expense amount will be entered automatically into the TAXCALC worksheet, cell C44.
3. The amounts shown in the "Total" column should agree with the C&DM plan filed with or approved by the Board. The amount of the third tranche of MARR is the maximum amount unless the utility has applied for a lower amount.

Note: The above total of \$2,829,500 is \$7,500 less than the C&DM plan filed with the Board, as \$7,500 was spent during the 2004 calendar year, which is not provided for in the above table.